

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, California 94105**

**RH05047239**

**January 16, 2007**

**INITIAL STATEMENT OF REASONS  
Proposed Amendments to the Low Cost Auto Plan of Operations**

**PURPOSE OF THE REGULATION**

Pursuant to California Insurance Code section 11620 California Insurance Commissioner Steve Poizner will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan ("CAARP" or "Plan") to amend the Low Cost Automobile (LCA) Insurance Programs Plan of Operations referenced in Title 10, Chapter 5, Section 2498.6 of the California Code of Regulations. The proposed changes involve LAD termination, a clarification of when a driver is principally at fault and a change in gathering information on the method of payment to ensure that fees are not being charged for the completion of an application.

**NECESSITY OF REGULATION**

Current LAD procedures do not address the termination of a buy-out contract for a company that is declared insolvent or is placed in rehabilitation or is terminated for any other reason. The proposed amendments will introduce guidelines for the termination of a LAD buy-out contract of a company that is declared insolvent or is subject to an Insurance Department order or is terminated for any other reason.

**IDENTIFICATION OF STUDIES**

The proposed amendments rely only upon the expertise and experience of the CAARP Advisory Committee. No data, studies, information or reports were submitted for this proceeding.

**SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT**

Adoption of the proposed changes would not mandate the use of specific technologies or equipment.

**REASONABLE ALTERNATIVES**

The Commissioner invites public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes.

**ECONOMIC IMPACT ON BUSINESS**

The Commissioner has initially determined that the proposed changes will not have a significant adverse economic impact on businesses. The Commissioner invites interested parties to comment on whether the proposed changes will have a significant adverse economic impact on business.